

MACKINAC COUNTY HOUSING COMMISSION
MACKINAC COUNTY, MICHIGAN

FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2005
AND
REPORTS ON INTERNAL CONTROL AND
COMPLIANCE

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended.

Local Government Type <input type="checkbox"/> City <input type="checkbox"/> Township <input type="checkbox"/> Village <input checked="" type="checkbox"/> Other		Local Government Name Mackinac County Housing Commission	County Mackinac
Audit Date 6/30/05	Opinion Date 12/12/05	Date Accountant Report Submitted to State: 2/18/06	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- | | |
|---|---|
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements. |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980). |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended). |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act. |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]). |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit. |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year). |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241). |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95). |

We have enclosed the following:

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	✓		
Reports on individual federal financial assistance programs (program audits).			✓
Single Audit Reports (ASLGU).			✓

Certified Public Accountant (Firm Name) Barry E. Gaudette, CPA, PC			
Street Address 1107 E. Eighth Street	City Traverse City	State MI	ZIP 49686
Accountant Signature <i>Barry E. Gaudette, CPA</i>		Date 2/18/06	

MACKINAC COUNTY HOUSING COMMISSION
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INTRODUCTION

Barry E. Gaudette, CPA, P.C.

CERTIFIED PUBLIC ACCOUNTANT

1107 East Eighth Street
Traverse City, Michigan 49686
(231) 946-8930
Fax (231) 946-1377

Independent Auditor's Report

Board of Commissioners
Mackinac County Housing Commission
Mackinac County, Michigan

I have audited the accompanying financial statements of the business-type activities of the Mackinac County Housing Commission, Michigan, a component unit of the County of Mackinac, as of and for the year ended June 30, 2005, which collectively comprise the Housing Commission's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Housing Commission's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities of the Mackinac County Housing Commission, Michigan, as of June 30, 2005, and the respective changes in financial position and cash flows, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 6(D), the Housing Commission has implemented a new financial reporting model, as required by the provisions of GASB Statement No. 34, Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments, as amended and interpreted as of June 30, 2005.

Mackinac County Housing Commission
Independent Auditor's Report
Page Two

In accordance with *Government Auditing Standards*, I have also issued my report dated December 12, 2005, on my consideration of Mackinac County Housing Commission, Michigan's internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be in considered in conjunction with this report in considering the results of my audit.

The management's discussion and analysis comparison information on page 3 through 6, are not a required part of the basic financial statements, but are supplementary information required by accounting principles generally accepted in the United States of America. I have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, I did not audit the information and express no opinion on it.

My audit was made for the purpose of forming an opinion on the financial statements that comprise Mackinac County Housing Commission, Michigan's basic financial statements. The accompanying financial data schedule is presented for the purpose of additional analysis and is not a required part of the basic financial statements of the Housing Commission. The combining financial statements, schedule of expenditures of federal awards, and the financial data schedule have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in my opinion, are fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Sam E. Taudell, CPA, PC

December 12, 2005

MACKINAC COUNTY HOUSING COMMISSION
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD & A)
June 30, 2005
=====

Mackinac County Housing Commission, created in 1970, by the County of Mackinac provides housing to meet the community's needs for affordable low-income housing. As management of the Housing Commission, we offer readers this narrative overview and analysis of the financial activities of the Housing Commission for the fiscal year ended June 30, 2005. We encourage readers to consider the information presented here in conjunction with the Housing Commission's financial statements.

Financial Highlights

The financial statements for Mackinac County Housing Commission consists of two programs. The first is owned housing, consisting of 48 units of public housing and the second is the capital funding program. Mackinac County Housing Commission had total revenues of \$208,211 that includes \$86,652 in rental payments and \$116,646 in federal assistance. Total operating expenses were \$340,532, that includes \$105,194 in administrative expenses, \$22,072 in utilities, \$68,353 in ordinary maintenance expenses, and \$116,956 in depreciation expense. Total revenues decreased by \$11,127 from the prior year and operating expenses increased by \$19,147 over the prior year for a net decrease of \$30,274, due to increases in administrative and ordinary maintenance and operation expenses.

The assets of the Housing Commission exceeded its liabilities at the close of the most recent year by \$1,647,814. The Housing Commission's total net assets decreased by \$132,321 from the prior year. The decrease is attributable in part to the depreciation expense of \$116,956.

Total assets of the Housing Commission were \$1,680,487 including \$96,163 of current assets and \$1,584,324 of net property and equipment assets. The Housing Commission had current liabilities of \$25,552 and noncurrent liabilities of \$7,121. Assets decreased, in part, by \$134,394 from the prior year due to the depreciation expense of \$116,956 compared to only \$12,561 in capital outlays.

Funding levels for operations and capital improvements are expected to remain at current levels, but may continue to decline, comparable to the past few years. During the current fiscal year we spent money on a project engineer, carpeting, tree and brush removal, and built six light fixtures. In the next fiscal year there will be a renovation project that includes siding the buildings with payments to the contractor of \$72,206 through November of 2005. A desk top computer and laptop computer was also purchased in September 2005. We will continue to provide safe, affordable housing to eligible persons of low income, and will pursue capital improvements in accordance with our five-year and annual plan.

MACKINAC COUNTY HOUSING COMMISSION
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD & A)
(CONTINUED)

June 30, 2005

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Overview of the Financial Statements

The financial statements included in this annual report are those of a special-purpose government engaged only in a business-type activity. The following statements are included:

- * Statement of Net Assets - reports on the Housing Commission's current financial resources with capital and other assets and other liabilities.
- * Statement of Activities - reports the Housing Commission's operating and non-operating revenues, by major source along with operating and non-operating expenses and capital c contributions.
- * Statement of Cash Flows - reports the Housing Commission's cash flows from operating, investing, capital, and non-capital activities.

Commission's current position

I foresee the Mackinac County Housing Commission's finances dwindling due to cuts in the CFP and Operating Subsidies. Other contributing factors are the cost of utilities increasing by 33%, which increases resident utility allowances and decreasing resident revenues and all other services, equipment and material increasing by leaps and bounds.

Operating Subsidies	....	decreases
Capital Fund Program	....	decreases
Resident revenues	....	decreases
+Operation Factors	....	increases
Equals	=	<u>dwindling finances</u>

Questions and comments regarding this Management Discussion and Analysis may be directed to:

George Martindale, Executive Director
N9174 Kozy Street, Curtis, MI 49820

MACKINAC COUNTY HOUSING COMMISSION
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD & A)
(CONTINUED)
June 30, 2005
=====

Financial Analysis of the Housing Commission

The following condensed statement of net assets show a summary of changes for the years ended June 30, 2005 and 2004.

	<u>2005</u>	<u>2004</u>	<u>Net Change</u>
Current assets	\$ 96,163	\$ 126,817	\$ (30,654)
Property and equipment	<u>1,584,324</u>	<u>1,688,064</u>	<u>(103,740)</u>
Total assets	<u>\$1,680,487</u>	<u>\$1,814,881</u>	<u>\$ (134,394)</u>
Current liabilities	\$ 25,552	\$ 26,963	\$ (1,411)
Noncurrent liabilities	<u>7,121</u>	<u>7,783</u>	<u>(662)</u>
Total liabilities	<u>32,673</u>	<u>34,746</u>	<u>(2,073)</u>
Net assets:			
Invested in capital assets	1,584,324	1,688,064	(103,740)
Unrestricted net assets	<u>63,490</u>	<u>92,071</u>	<u>(28,581)</u>
Total net assets	<u>1,647,814</u>	<u>1,780,135</u>	<u>(132,321)</u>
Total liabilities and net assets	<u>\$1,680,487</u>	<u>\$1,814,881</u>	<u>\$ (134,394)</u>

MACKINAC COUNTY HOUSING COMMISSION
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD & A)
(CONTINUED)
June 30, 2005

=====

Financial Analysis of the Housing Commission (continued)

The following table summarizes the statement of activities of the Housing Commission for the years ended June 30, 2005 and 2004.

	<u>2005</u>	<u>2004</u>	<u>Net Change</u>
Operating revenues:			
Dwelling rent	\$ 80,504	\$ 87,521	\$(7,017)
Nondwelling rent	<u>6,148</u>	<u>6,773</u>	<u>(625)</u>
Total operating revenues	<u>86,652</u>	<u>94,294</u>	<u>(7,642)</u>
Operating expenses:			
Administration	105,194	95,703	9,491
Utilities	22,072	23,183	(1,111)
Ordinary maintenance and operation	68,353	62,240	6,113
General expenses	21,870	18,525	3,345
Extraordinary maintenance	6,087	4,488	1,599
Depreciation	<u>116,956</u>	<u>117,246</u>	<u>(290)</u>
Total operating expenses	<u>340,532</u>	<u>321,385</u>	<u>19,147</u>
Operating income(loss)	<u>(253,880)</u>	<u>(227,091)</u>	<u>(26,789)</u>
Non-operating revenue:			
Interest income	2,459	2,305	154
Other income	2,650	2,913	(263)
Loss on sale of fixed assets	(196)	246	(442)
Operating grants	110,598	114,199	(3,601)
Capital grants	<u>6,048</u>	<u>5,381</u>	<u>667</u>
Total nonoperating revenue	<u>121,559</u>	<u>125,044</u>	<u>(3,485)</u>
Change in Net Assets	<u><u>\$(132,321)</u></u>	<u><u>\$(102,047)</u></u>	<u><u>\$(30,274)</u></u>

FINANCIAL STATEMENTS

MACKINAC COUNTY HOUSING COMMISSION
STATEMENT OF NET ASSETS
June 30, 2005
=====

ASSETS

Current Assets:

Cash	\$ 34,992
Accounts receivable-HUD other projects	6,048
Accounts receivable-dwelling rents	3,810
Allowance for doubtful accounts	(389)
Accrued interest receivable	95
Investments-unrestricted	41,082
Prepaid expenses	<u>10,525</u>

Total Current Assets	<u>96,163</u>
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Property and Equipment:

Land	37,818
Buildings	2,641,262
Equipment	121,561
Building improvements	824,432
Construction in progress	<u>6,048</u>

Less: accumulated depreciation	<u>3,631,121</u>
	(2,046,797)

Net Property and Equipment	<u>1,584,324</u>
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Total Assets	<u>\$ 1,680,487</u>
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See notes to financial statements

MACKINAC COUNTY HOUSING COMMISSION
STATEMENT OF NET ASSETS (CONTINUED)
June 30, 2005
=====

LIABILITIES and NET ASSETS

Current Liabilities:	
Accounts payable	\$ 13,631
Tenant security deposit liability	4,495
Accrued expenses	7,294
Deferred revenues	<u>132</u>
Total Current Liabilities	25,552
Noncurrent Liabilities:	
Accrued compensated absences	<u>7,121</u>
Total Liabilities	<u>32,673</u>
Net Assets:	
Invested in capital assets	1,584,324
Unrestricted net assets	<u>63,490</u>
Total Net Assets	<u>1,647,814</u>
Total Liabilities and Net Assets	<u>\$1,680,487</u>

See notes to financial statements

MACKINAC COUNTY HOUSING COMMISSION
STATEMENT OF ACTIVITIES
Year Ended June 30, 2005
=====

OPERATING REVENUES:

Dwelling rent	\$ 80,504
Nondwelling rent	<u>6,148</u>
Total operating revenues	<u>86,652</u>

OPERATING EXPENSES:

Administration	105,194
Utilities	22,072
Ordinary maintenance and operation	68,353
General expenses	21,870
Extraordinary maintenance	6,087
Depreciation	<u>116,956</u>
Total operating expenses	<u>340,532</u>
Operating income(loss)	<u>(253,880)</u>

NONOPERATING REVENUES:

Investment interest income	2,459
Other income	2,650
Loss on sale of fixed assets	(196)
Operating grants	110,598
Capital grants	<u>6,048</u>
Total nonoperating revenues	<u>121,559</u>
Change in net assets	(132,321)
Net assets, beginning	<u>1,780,135</u>
Net assets, ending	<u>\$ 1,647,814</u>

See notes to financial statements

MACKINAC COUNTY HOUSING COMMISSION
STATEMENT OF CASH FLOWS
Year Ended June 30, 2005
=====

CASH FLOWS FROM OPERATING ACTIVITIES:

Cash received from dwelling and nondwelling rents	\$ 86,660
Cash payments to other suppliers of goods and services	(91,931)
Cash payments to employees for services	(128,128)
Cash payments for in lieu of taxes	<u>(6,450)</u>
Net cash (used) by operating activities	<u>(139,849)</u>

CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:

Tenant security deposits	68
Operating grants	110,598
Other revenue	<u>2,650</u>
Net cash provided by noncapital financing activities	<u>113,316</u>

CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:

Loss on sale of fixed assets	(851)
Payments for capital acquisitions	<u>(12,561)</u>
Net cash (used) by capital and related financing activities	<u>(13,412)</u>

CASH FLOWS FROM INVESTING ACTIVITIES:

Investments increased	(764)
Receipts of interest and dividends	<u>2,433</u>
Net cash provided by investing activities	<u>1,669</u>

Net increase(decrease) in cash	(38,276)
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Cash, beginning	<u>73,268</u>
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Cash, ending	<u><u>\$ 34,992</u></u>
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MACKINAC COUNTY HOUSING COMMISSION
STATEMENT OF CASH FLOWS (CONTINUED)
Year Ended June 30, 2005
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**RECONCILIATION OF CASH AND CASH
EQUIVALENTS PER STATEMENT OF CASH
FLOWS TO THE BALANCE SHEET:**

Cash	\$	34,922
Restricted cash		<u> </u>
Cash and cash equivalents per balance sheet	\$	<u>34,922</u>

**SCHEDULE RECONCILING OPERATING INCOME
TO NET CASH FLOW FROM OPERATING
ACTIVITIES:**

Operating income(loss)		\$(253,880)
Adjustments to reconcile operating (loss) to net cash(used in) operating activities:		
Depreciation		116,956
Bad debt allowance	(	678)
Changes in assets and liabilities:		
(Increase) decrease in assets:		
Accounts receivable-tenants	(	68)
Prepaid expenses	(	38)
Increase (decrease) in liabilities:		
Accounts payable		1,917
Accrued wages/payroll taxes	(	3,152)
Accrued compensated absences	(	375)
Accrued payments in lieu of taxes	(	607)
Deferred revenues		<u>76</u>
Net cash (used) by operating activities	\$	<u>\$(139,849)</u>

See notes to financial statements

MACKINAC COUNTY HOUSING COMMISSION
NOTES TO FINANCIAL STATEMENTS
June 30, 2005
=====

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of Mackinac County Housing Commission (the Housing Commission) have been prepared in conformity with U.S. generally accepted accounting principles (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the Housing Commission's accounting policies are described below.

The Reporting Entity

Mackinac County Housing Commission is a component unit of the County of Mackinac. The Housing Commission is a Public Housing Agency created by the County of Mackinac on August 11, 1970, consisting of a five member board appointed by the County Board and charged with the responsibility to provide and service housing to meet the community's needs for affordable low-income housing. These financial statements include all of the resources and activities of the Mackinac County Housing Commission over which the Housing Commission exercises operational control or which have financial significance to the Housing Commission. The Housing Commission has no component units and is not responsible for any jointly governed organizations.

Grants and Other Intergovernmental Revenues

The Housing Commission has entered into contracts with the U.S. Department of Housing and Urban Development (HUD). Under Contract C-8046, the Housing Commission constructed, maintains and operates 48 units of subsidized housing in the County of Mackinac, Michigan.

Fund Financial Statements

The Housing Commission only has *business-type activities*, which rely to a significant extent on fees and charges for support. The fund financial statements include the Statement of Net Assets, Statement of Activities and the Statement of Cash Flows.

The Housing Commission is considered one single Enterprise Fund and does not have any governmental activities.

Fund Accounting

The accounts of the Housing Commission are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self balancing accounts that comprise its assets, liabilities,

equity, revenues, and expenses. The Housing Commission's fund structure includes only proprietary funds. Under generally accepted accounting principles, proprietary funds are grouped into two broad categories - enterprise and internal service funds. Enterprise funds are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises - where the intent of the governing body is that the costs of providing goods and services to the general public on a continuing basis be financed or recovered through user charges; or (b) where laws or regulations require that the activity's costs of providing services including capital costs (such as depreciation or debt service) be recovered with fees and charges rather than with taxes and similar revenues. All of the Housing Commission's funds are operated as enterprise type proprietary funds whereby costs of services are to be recovered through user charges or subsidies from other governmental units.

Basis of Accounting

Basis of accounting refers to when revenues and expenses are recognized in the accounts and reported in the financial statements, regardless of the measurement focus. The Housing Commission's financial statements are prepared using the economic resources measurement focus and the accrual basis of accounting.

Under the economic resources measurement focus, all assets and all liabilities (whether current or noncurrent) are included in the statement of net assets of the individual funds. Their reported net assets are segregated into invested capital assets and unrestricted net assets components. Operating statements present increases (revenues) and decreases (expenses) in net assets.

Under the accrual basis of accounting, all revenues are recorded when earned, regardless of when received, and all expenses are recorded when a liability is created, regardless of when paid.

In accordance with Governmental Accounting Standards Board Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting*, Mackinac County Housing Commission has elected to apply only those Financial Accounting Standards Board Statements issued prior to November 30, 1989 to its proprietary funds and to the proprietary funds of its component units.

Cash and Cash Equivalents

For purposes of the statement of cash flows, the Housing Commission considers all highly liquid investments purchased with a maturity of three months or less to be cash equivalents.

Insurance

The premiums on all major insurance policies are charged to prepaid insurance and amortized over the life of the policy.

Budgets and Budgetary Accounting

The Housing Commission is required under each of its HUD contracts to adopt an annual operating budget which must be approved by HUD. Budgetary data and comparison of actual and planned performance is reported directly to HUD based on specific program reporting requirements.

Receivables

All receivables are reported at their net value, reflecting where appropriate, by the estimated portion that is expected to be uncollectible. The Housing Commission estimates the uncollectible portion of tenant rents as a percentage of gross tenant rents using prior collection experience.

Short-term Interfund Receivables/Payables

During the course of operations, numerous transactions occur between individual funds. Receivables and payables arising from these transactions are classified as "due from other programs" and "due to other programs" on the statement of net assets.

Fixed Asset Capitalization

Fixed assets with a cost to acquire or construct of \$25 or more are capitalized and depreciated over their estimated useful lives. Depreciation is provided on a straight-line basis using the following estimate of useful lives:

Buildings		40 years
Furniture, equipment and machinery	5 -	10 years
Building improvements		10 years

Net Assets

The Housing Commission classifies its net assets as follows:

- a. Invested in capital assets net of related debt represents all fixed assets acquired by the Housing Commission (both pre-FY 2001 and post FY 2001) reduced by accumulated depreciation and related capital projects debt issued to purchase those assets.
- b. Unrestricted net assets indicate that portion of net assets which is available for use in future periods.

Operating Revenues and Expenses

The Housing Commission includes in operating revenues resources that are derived or received from exchange transactions. Resources derived principally from non-exchange transactions are excluded from operating income. Operating expenses include the cost of providing services, excluding depreciation. Depreciation, amounts expended for capital additions and amounts expended for retirement-

of-debt are excluded from operating expenses. Depreciation expense is charged to invested in capital assets rather than unrestricted net assets.

Use of Estimates

The preparation of financial statements in accordance with generally accepted accounting principles requires the use of management estimates. The Housing Commission uses estimates of useful lives of its fixed assets and other estimates in preparing its financial statements. Actual results may differ from the Housing Commission's estimates.

Vacation and Sick Leave

The Housing Commission allows permanent employees to accumulate the following compensated absences:

- * Vacation leave, an employee shall not accumulate more than one hundred seventy-five (175) hours of vacation time. The employees will be paid for all accumulated annual leave upon termination of employment or in the event of death to the married survivor of the deceased if applicable, otherwise to months of employment.
- * Sick leave, an employee who separates from the Housing Commission employment for retirement purposes approved by Municipal Employees' Retirement Systems shall be paid one-half (1/2) of his/her unused sick leave as of the effective date of separation.

Payment of unused sick leave days shall be at the employee's prevailing rate of pay and the payment of one half (1/2) of accumulated leave days shall be based on a maximum possible accumulated of six hundred thirty (630) hours provided said employee has earned said hours.

- * Personal leave, each employee, after completing six (6) months of service, shall be allowed personal leave. Full-time employees will be allowed twenty-one (21) hours and part-time employees will be allowed ten and one half (10 1/2) hours. After completing three (3) years, full-time employees will be allowed twenty-eight (28) hours and part-time employees will be allowed fourteen (14) hours. Time to be taken with three days advance notice given to the department head except in cases of extreme emergency.

The amount of accumulated benefits at June 30, 2005, was \$11,448.

Post Employment Benefits

The provision for pension cost is recorded on an accrual basis, and the Commission's policy is to fund pension costs as they accrue.

Income Taxes

As a component unit of a Michigan County, the Housing Commission is exempt from federal and state income taxes. The Housing Commission has no unrelated business income.

NOTE 2: DEPOSITS, INVESTMENTS AND CREDIT RISK

The Housing Commission maintains cash and investment accounts in the Low Rent Program.

Deposits

At year-end, the carrying amount of the Housing Commission's deposits were \$34,992 and the bank balance was \$42,520 of which \$42,520 was covered by federal depository insurance.

Investments

The Housing Commission had the following investments in certificates of deposit as June 30, 2005:

The State Savings Bank of Manistique (CD #30645)	\$ 27,752
First National Bank (CD #3770)	6,665
First National Bank (CD #3772)	<u>6,665</u>
	<u>\$ 41,082</u>

Interest Rate Risk - The Housing Commission does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk - The Housing Commission's investment policy approves the following securities and deposit accounts: U.S. Treasury bills, U.S. Treasury certificates, notes and bonds, certificate of deposits, commercial business savings accounts, money market accounts, obligations which are lawful investments for fiduciary and trust funds under the jurisdiction of the United States and trust funds under the jurisdiction of the United States Government, Series E savings bonds and Series H savings bonds.

The Housing Commission shall deposit excess monies in the general fund and all other operating fund accounts in time, savings, or share accounts with banks or other institutions, to the extent that all unsecured deposits or accounts are insured by: the Federal Deposit Insurance Corporation (FDIC), National Credit Union Share Insurance Fund (NCUSIF), or State Insurance plans which are approved by the United States Comptroller of the currency as an eligible depository of trust funds of National Banks, respectively.

All excess monies over the insured limits of the financial institution or banks, the Housing Commission shall obtain collateralization of excess funds at 100% of the principal value.

Such collateralization shall be in the form of U.S. Treasury Notes or Bonds in the name of the Housing Commission held in trust by the financial institution or bank. The Housing Commission may choose collateralization in the following form and percentages:

- | | | |
|-------------------------------------|---|----------|
| 1. U.S. Treasury Notes | - | 100%; or |
| 2. U.S. Treasury Notes and/or Bonds | - | 75% and |
| 3. Mortgage Backed Securities | - | 25% |

In any such case the collateralization shall be no less than 100% of value of the funds in all accounts. The financial institution shall provide a statement of the collateralization at a minimum once every quarter to the Housing Commission.

The Housing Commission has no investment policy that would further limit its investment choices.

Concentration of Credit Risk - The Housing Commission places no limit on the amount the Housing Commission may invest in any one issuer. All of the Housing Commission's investments are reported in the Enterprise Fund.

A reconciliation of cash as shown on the statement of net assets is as follows:

Carrying amount of deposits	\$ 34,992
Investments	<u>41,082</u>
Total	<u>\$ 76,074</u>
Cash and cash equivalents:	
Enterprise activities	
Enterprise activities - deposit in transit	\$ 83,602
Enterprise activities - checks written	5,878
in excess of deposits	<u>(13,406)</u>
Total	<u>\$ 76,074</u>

NOTE 3: RECEIVABLES AND PAYABLES

Tenant Accounts Receivable

Tenant accounts receivable are recorded at gross amount and reduced by the estimated amount uncollectible. At June 30, 2005, the receivables were \$3,810 with \$389 estimated as uncollectible. Bad debt expense was \$2,855.

Accounts Receivables - HUD

Amounts due from HUD represents funding due the Housing Commission for actual expenses for the programs financed. There was \$6,048 due from HUD as of June 30, 2005.

Inter-fund Receivables, Payables, and Transfers

Interfund receivables and payables are recorded as "due from other programs" and "due to other programs". There was \$6,048 due from the Capital Fund Program to the Low Rent Program as of June 30, 2005.

Individual fund operating transfers during the fiscal year are as follows:

<u>Receiving Fund</u>	<u>Paying Fund</u>	<u>Amount</u>
Low Rent Program	Capital Fund Program	<u>\$ 30,000</u>

NOTE 4: CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2005 was as follows:

	<u>Balance</u> <u>06/30/04</u>	<u>Additions/Retirements/</u> <u>Transfers</u>	<u>Balance</u> <u>06/30/05</u>
Low Rent Program			
Land	\$ 37,818	\$	\$ 37,818
Buildings	2,641,262		2,641,262
Furniture, equip. & machinery - dwellings	54,327		54,327
Furniture, equip. & machinery - administration	61,627	5,607	67,234
Building improvements	<u>810,842</u>	<u>13,590</u>	<u>824,432</u>
	3,605,876	<u>\$ 19,197</u>	3,625,073
Less accumulated depreciation	(1,930,496)	<u>\$(116,956)</u>	<u>\$(2,046,797)</u>
Total	<u>\$1,675,380</u>		<u>\$1,578,276</u>
Capital Fund Program			
Building improvements	\$ 13,590	\$ (13,590)	\$
Construction in progress		6,048	6,048
	<u>\$ 13,590</u>	<u>\$ 6,048</u>	<u>\$(13,590)</u>
Combined Totals			<u>\$1,584,324</u>

NOTE 5: INVESTED IN CAPITAL ASSETS

The following is a summary of the activity in the Invested in Capital Assets account:

	Invested in Capital Assets
Balance, beginning (contributed capital)	\$1,688,970
Investment in fixed assets, net of depreciation paid for from operations net of depreciation, not included in contributed capital	(104,646)
Balance, ending	<u>\$1,584,324</u>

NOTE 6: OTHER INFORMATION

A. Pension Plan

The Housing Commission agreed to continue to participate in the County of Mackinac pension plan, the Municipal Employees' Retirement System, (MERS) effective January 1, 1980. MERS is a Defined Contribution Program which operates within the Michigan Department and Budget, Bureau of Retirement Systems.

Effective January 1, 1997, the Employer shall implement the B-4 Pension Plan with the V-6, E-1 and E-2 Riders. The Employer agrees to pay the cost of the retirement system, including the employee's share subject to the conditions set forth below.

Commencing upon the execution of the collective bargaining agreement, appropriate employees in the bargaining unit will be covered with the Municipal Employees Retirement Systems 55-F Waiver with twenty-five (25) years of service on a contributory basis as provided below:

Commencing upon the execution of this agreement and until December 31, 2001, the Housing Commission will pay the cost of the waiver.

Commencing upon January 1, 2002 the Housing Commission will pay the cost of the 55-F waiver, subject to the limitations set forth below.

Effective on January 1, 2002, the Employer will pay no more than sixteen and 1/2 percent (16.5%) of the total cost of the retirement system, including the cost of the 55-F waiver. Any total cost over sixteen and 1/2 percent (16.5%) including the cost of the 55-F waiver shall be paid for by the employee through payroll deduction. The Employer agrees to, upon written request by the Union, to meet and discuss methods of reducing retirement system exceeds 16.5%.

For employee's hired on or after July 1, 2001, appropriate employees in the bargaining unit will be covered exclusively

by the Municipal Employees Retirement Systems defined contribution program. Under this program, the Employer will initially contribute 4% of the employees salary to the Program. Thereafter, if an employee elects to contribute 3% of the employee's salary to the Program, the Housing Commission will contribute for those employee's who make such election an additional 3% of the employee's salary to the Program.

During the fiscal year ended June 30, 2005, the Housing Commission contributed \$5,373 to the pension plan.

B. Current Vulnerability Due to Certain Concentrations

The Housing Commission operates in a heavily regulated environment. The operations of the Housing Commission are subject to the administrative directives, rules and regulations of federal, state and local regulatory agencies, including, but not limited to, HUD. Such administrative directives, rules and regulations are subject to change by an act of Congress or an administrative change mandated by HUD. Such changes may occur with little notice to inadequate funding to pay for the related cost, including the additional administrative burden to comply with a change.

C. Risk Management and Litigation

The Housing Commission is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees, and natural disasters for which it obtains coverage from commercial companies. The Housing Commission has had no settled claims resulting from these risks that exceed their commercial coverage in the current year or the three prior fiscal years.

D. Implementation of New Accounting Standard

As of and for the year ended June 30, 2005, the Housing Commission implemented GASB Statement Number 34 - *Basic Financial Statements - and Management's Discussion and Analysis - State and Local Governments*. The more significant changes required by the standard include a Management Discussion and Analysis; government-wide financial statements, prepared using the economic resources measurement focus and the accrual basis of accounting; fund financial statements, consisting of a series of statements that focus on a government's major funds; and schedules to reconcile the fund financial statements to the government-wide financial statements.

E. Equity Transfers

The Capital Funding Program made an equity transfer of \$12,684 to the Low Rent Program.

NOTE 7: SEGMENT INFORMATION FOR ENTERPRISE FUNDS

The Housing Commission maintains one Enterprise Fund that includes two separate programs which provide housing assistance and grant programs. Segment information for the year ended June 30, 2005, was as follows:

	Low Rent Program	Capital Fund Program
Condensed Statement of Net Assets		
Current assets	\$ 96,163	\$ 6,048
Property and equipment	1,578,276	6,048
Total assets	<u>\$ 1,674,439</u>	<u>\$ 12,096</u>
Current liabilities	\$ 25,552	\$ 6,048
Noncurrent liabilities	7,121	
Total liabilities	<u>32,673</u>	<u>6,048</u>
Net assets:		
Invested in capital assets	1,578,276	6,048
Unrestricted net assets	63,490	
Total net assets	<u>1,641,766</u>	<u>6,048</u>
Total liabilities and net assets	<u>\$ 1,674,439</u>	<u>\$ 12,096</u>
Condensed Statement of Activities		
Dwelling rent	\$ 80,504	\$
Nondwelling rent	6,148	
Depreciation	(116,956)	
Other operating expenses	(223,576)	
Operating(loss)	<u>(253,880)</u>	
Nonoperating revenues:		
Investment interest income	2,459	
Other income	2,650	
Loss on sale of fixed assets	(196)	
Operating transfers in (out)	30,000	(30,000)
Operating grants	80,598	30,000
Capital grants		6,048
Change in net assets	<u>(138,369)</u>	<u>6,048</u>
Equity transfers	12,684	(12,684)
Beginning net assets	1,767,451	12,684
Ending net assets	<u>\$ 1,641,766</u>	<u>\$ 6,048</u>
Condensed Statement of Cash Flows		
Net cash provided(used) by:		
Operating activities	\$(139,849)	\$
Noncapital financing activities	107,268	6,048
Capital and related financing activities	(7,364)	(6,048)
Investing activities	1,669	
Net increase(decrease)	<u>(38,276)</u>	
Beginning cash and cash equivalents	73,268	
Ending cash and cash equivalents	<u>\$ 34,992</u>	<u>\$</u>

SUPPLEMENTARY INFORMATION

MACKINAC COUNTY HOUSING COMMISSION
COMBINING STATEMENT OF NET ASSETS
 June 30, 2005

=====

	C-8046 Low Rent Program <u>14.850</u>	Capital Fund Program <u>14.872</u>
ASSETS		
Current assets:		
Cash	\$ 34,992	\$
Accounts receivable-HUD other projects		6,048
Accounts receivable-dwelling rents	3,810	
Allowance for doubtful accounts	(389)	
Accrued interest receivable	95	
Investments-unrestricted	41,082	
Prepaid expenses	10,525	
Due from other programs	<u>6,048</u>	
Total current assets	<u>96,163</u>	<u>6,048</u>
Property and equipment:		
Land	37,818	
Buildings	2,641,262	
Equipment	121,561	
Building improvements	824,432	
Construction in progress		6,048
	<u>3,625,073</u>	<u>6,048</u>
Less accumulated depreciation	<u>(2,046,797)</u>	
Net property and equipment	<u>1,578,276</u>	<u>6,048</u>
Total Assets	<u>\$1,674,439</u>	<u>\$ 12,096</u>

Totals

\$ 34,992
6,048
3,810
(389)
95
41,082
10,525
6,048

102,211

37,818
2,641,262
121,561
824,432
6,048
3,631,121
(2,046,797)

1,584,324

\$ 1,686,535

MACKINAC COUNTY HOUSING COMMISSION
COMBINING STATEMENT OF NET ASSETS (CONTINUED)
 June 30, 2005

=====

	C-8046 Low Rent Program <u>14.850</u>	Capital Fund Program <u>14.872</u>
LIABILITIES and NET ASSETS		
Current liabilities:		
Accounts payable	\$ 13,631	\$
Tenant security deposit liability	4,495	
Accrued expenses	7,294	
Deferred revenues	132	
Due to other programs		<u>6,048</u>
Total current liabilities	25,552	6,048
Noncurrent liabilities:		
Accrued compensated absences	<u>7,121</u>	
Total liabilities	<u>32,673</u>	<u>6,048</u>
Net assets:		
Invested in capital assets	1,578,276	6,048
Unrestricted net assets	<u>63,490</u>	
Total net assets	<u>1,641,766</u>	<u>6,048</u>
Total Liabilities and Net Assets	<u>\$1,674,439</u>	<u>\$ 12,096</u>

Totals

\$ 13,631
4,495
7,294
132
6,048

31,600

7,121

38,721

1,584,324
63,490

1,647,814

\$ 1,686,535

MACKINAC COUNTY HOUSING COMMISSION
COMBINING STATEMENT OF ACTIVITIES
 Year Ended June 30, 2005

=====

	C-8046 Low Rent Program <u>14.850</u>	Capital Fund Program <u>14.872</u>
OPERATING REVENUES:		
Dwelling rent	\$ 80,504	\$
Nondwelling rent	<u>6,148</u>	
Total operating revenues	<u>86,652</u>	
OPERATING EXPENSES:		
Administration	105,194	
Utilities	22,072	
Ordinary maintenance and operation	68,353	
General expenses	21,870	
Extraordinary maintenance	6,087	
Depreciation	<u>116,956</u>	
Total operating expenses	<u>340,532</u>	
Operating income(loss)	<u>(253,880)</u>	
NONOPERATING REVENUES AND (EXPENSES):		
Investment interest income	2,459	
Other income	2,650	
Operating grants	80,598	30,000
Capital grants		6,048
Loss on sale of fixed assets	(196)	
Operating transfers in (out)	<u>30,000</u>	<u>(30,000)</u>
Total nonoperating revenues (expenses)	<u>115,511</u>	<u>6,048</u>
Change in net assets	(138,369)	6,048
Equity transfers	12,684	(12,684)
Net assets, beginning	<u>1,767,451</u>	<u>12,684</u>
Net assets, ending	<u>\$1,641,766</u>	<u>\$ 6,048</u>

Totals

\$ 80,504
6,148

86,652

105,194
22,072
68,353
21,870
6,087
116,956

340,532

(253,880)

2,459
2,650
110,598
6,048
(196)

121,559

(132,321)

1,780,135

\$1,647,814

MACKINAC COUNTY HOUSING COMMISSION
COMBINING STATEMENT OF CASH FLOWS
 Year Ended June 30, 2005
 =====

	C-8046 Low Rent Program <u>14.850</u>	Capital Fund Program <u>14.872</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash received from dwelling and nondwelling rents	\$ 86,660	\$
Cash payments to other suppliers of goods and services	(91,931)	
Cash payments to employees for services	(128,128)	
Cash payments for in lieu of taxes	(6,450)	
Net cash (used) by operating activities	<u>(139,849)</u>	
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:		
Tenant security deposits	68	
Interprogram receivables/payables	(6,048)	6,048
Operating grants	80,598	30,000
Operating transfers in (out)	30,000	(30,000)
Other revenue	<u>2,650</u>	
Net cash provided by noncapital financing activities	<u>107,268</u>	<u>6,048</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Loss on sale of fixed assets	(851)	
Payments for capital acquisitions	(6,513)	(6,048)
Net cash (used) by capital and related financing activities	<u>(7,364)</u>	<u>(6,048)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Investments increased	(764)	
Receipts of interest and dividends	<u>2,433</u>	
Net cash provided by investing activities	<u>1,669</u>	
Net increase(decrease) in cash	(38,276)	
Cash, beginning	<u>73,268</u>	
Cash, ending	<u>\$ 34,992</u>	<u>\$</u>

Totals

\$ 86,660

(91,931)

(128,128)

(6,450)

(139,849)

68

110,598

2,650

113,316

(851)

(12,561)

(13,412)

(764)

2,433

1,669

(38,276)

73,268

\$ 34,992

MACKINAC COUNTY HOUSING COMMISSION
COMBINING STATEMENT OF CASH FLOWS (CONTINUED)
 Year Ended June 30, 2005

=====

C-8046	Capital
Low Rent	Fund
Program	Program
<u>14.850</u>	<u>14.872</u>

**RECONCILIATION OF CASH AND CASH
 EQUIVALENTS PER STATEMENT OF
 CASH FLOWS TO THE BALANCE SHEET:**

Cash	\$	34,922	\$
Restricted cash			
		<u> </u>	<u> </u>
Cash and cash equivalents per balance sheet			
	\$	<u>34,922</u>	\$ <u> </u>

**SCHEDULE RECONCILING OPERATING INCOME
 TO NET CASH FLOW FROM OPERATING
 ACTIVITIES:**

Operating income(loss)	\$ (253,880)	\$
Adjustments to reconcile operating (loss) to net cash(used in) operating activities:		
Depreciation	116,956	
Bad debt allowance	(678)	
Changes in assets and liabilities:		
(Increase) decrease in assets:		
Accounts receivable-tenants	(68)	
Prepaid expenses	(38)	
Increase (decrease) in liabilities:		
Accounts payable	1,917	
Accrued wages/payroll taxes	(3,152)	
Accrued compensated absences	(375)	
Accrued payments in lieu of taxes	(607)	
Deferred revenues	<u>76</u>	
Net cash (used) by operating activities	<u>\$ (139,849)</u>	\$ <u> </u>

Totals

\$ 34,922

\$ 34,922

\$ (253,880)

116,956
(678)

(68)
(38)

1,917
(3,152)
(375)

(607)
76

\$ (139,849)

MACKINAC COUNTY HOUSING COMMISSION
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
AND NOTES TO THE SCHEDULE OF FEDERAL AWARDS
 Year Ended June 30, 2005

=====

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Fiscal Year	<u>Federal Grantor</u>	<u>CFDA No.</u>	<u>Expenditures</u>
	<u>U.S. Department of HUD</u>		
	<u>Public and Indian Housing Nonmajor - Direct Program</u>		
2005	Low Rent Public Housing	14.850	\$ 80,598
	<u>Public and Indian Housing Nonmajor - Direct Program</u>		
2005	Capital Fund Program	14.872	<u>36,048</u>
	Total		<u>\$ 116,646</u>

NOTES TO THE SCHEDULE OF FEDERAL AWARDS

NOTE 1: Significant Accounting Policies

The schedule of federal awards has been prepared on the
 accrual basis of accounting.

CFDA = Catalog of Federal Domestic Assistance

MACKINAC COUNTY HOUSING COMMISSION

FINANCIAL DATA SCHEDULE

Year Ended June 30, 2005

=====

FDS Line Item No.		C-8046 Low Rent Program <u>14.850</u>	Capital Fund Program <u>14.872</u>
	ASSETS		
	Current Assets:		
	Cash:		
111	Cash-unrestricted	\$ 34,992	\$
100	Total cash	<u>34,992</u>	
	Receivables:		
122	A/R-HUD other projects		
126	A/R-tenants-dwelling rents		6,048
126.1	Allowance for doubtful accounts	3,810	
129	Accrued interest receivable	(389)	
		<u>95</u>	
120	Total receivables, net of allowance for doubtful accounts	<u>3,516</u>	<u>6,048</u>
	Other Current Assets:		
131	Investments-unrestricted	41,082	
142	Prepaid expenses and other assets	10,525	
144	Interprogram due from	<u>6,048</u>	
	Total other current assets	<u>57,655</u>	
150	Total current assets	<u>96,163</u>	<u>6,048</u>
	Noncurrent Assets:		
	Fixed Assets:		
161	Land		
162	Buildings	37,818	
163	Furn, equip & mach-dwellings	2,641,262	
164	Furn, equip & mach-admin.	54,327	
165	Building improvements	67,234	
166	Accumulated depreciation	824,432	
167	Construction in progress	(2,046,797)	
160	Total fixed assets, net of accumulated depreciation	<u>1,578,276</u>	<u>6,048</u>
180	Total noncurrent assets	<u>1,578,276</u>	<u>6,048</u>
190	Total Assets	<u>\$1,674,439</u>	<u>\$ 12,096</u>

Totals

\$ 34,992

34,992

6,048
3,810
(389)
95

9,564

41,082

10,525
6,048

57,655

102,211

37,818
2,641,262
54,327
67,234
824,432
(2,046,797)
6,048

1,584,324

1,584,324

\$ 1,686,535

MACKINAC COUNTY HOUSING COMMISSION
FINANCIAL DATA SCHEDULE (CONTINUED)
 Year Ended June 30, 2005
 =====

FDS Line Item No.		C-8046 Low Rent Program <u>14.850</u>	Capital Fund Program <u>14.872</u>
LIABILITIES AND EQUITY/NET ASSETS			
	Liabilities:		
	Current Liabilities:		
312	Accounts payable<=90 days	\$ 7,788	\$
321	Accrued wage/payroll taxes payable		
322	Accrued compensated absences-current portion	2,967	
333	Accounts payable-other government	4,327	
341	Tenant security deposits	5,843	
342	Deferred revenues	4,495	
347	Interprogram due to	132	
		<u> </u>	<u>6,048</u>
310	Total current liabilities	25,552	6,048
	Noncurrent Liabilities:		
354	Accrued compensated absences	<u>7,121</u>	
300	Total liabilities	<u>32,673</u>	<u>6,048</u>
	Equity:		
508.1	Invested in capital assets	<u>1,578,276</u>	<u>6,048</u>
508	Total equity	1,578,276	6,048
	Net Assets:		
512.1	Unrestricted net assets	<u>63,490</u>	
513	Total net assets	<u>1,641,766</u>	<u>6,048</u>
600	Total Liabilities and Equity/Net Assets	<u>\$1,674,439</u>	<u>\$ 12,096</u>

Totals

\$ 7,788

2,967

4,327

5,843

4,495

132

6,048

31,600

7,121

38,721

1,584,324

1,584,324

63,490

1,647,814

\$1,686,535

MACKINAC COUNTY HOUSING COMMISSION
FINANCIAL DATA SCHEDULE (CONTINUED)
 Year Ended June 30, 2005

=====

FDS Line Item No.		C-8046 Low Rent Program <u>14.850</u>	Capital Fund Program <u>14.872</u>
	Revenue:		
703	Net tenant rental revenue		
704	Tenant revenue-other	\$ 80,504	\$
705	Total tenant revenue	<u>6,148</u>	
706	HUD PHA grants	86,652	
706.1	Capital grants	80,598	30,000
711	Investment income-unrestricted		6,048
715	Other revenue	2,459	
716	Gain/loss on sale of fixed assets	2,650	
		(196)	
700	Total revenue	<u>172,163</u>	<u>36,048</u>
	Expenses:		
	Administrative:		
911	Administrative salaries		
912	Auditing fees	73,552	
914	Compensated absences	2,250	
915	Employee benefit contributions-adm.	(375)	
916	Other operating-administrative	18,902	
		10,865	
	Utilities:		
932	Electricity		
933	Gas	5,295	
		16,777	
	Ordinary maintenance and operation:		
941	Ordinary maint & oper-labor	26,100	
942	Ordinary maint & oper-mat'ls & other	7,961	
943	Ordinary maint & oper-contract costs	28,245	
945	Employee benefit contributions-ordinary maintenance	6,047	
	General expenses:		
961	Insurance premiums		
963	Payments in lieu of taxes	13,172	
964	Bad debt-tenant rents	5,843	
		<u>2,855</u>	
969	Total operating expenses	<u>217,489</u>	
970	Excess operating revenue over operating expenses	(45,326)	<u>36,048</u>

<u>Totals</u>	
\$	80,504
	<u>6,148</u>
	86,652
	110,598
	6,048
	2,459
	2,650
(	<u>196)</u>
	<u>208,211</u>

	73,552
	2,250
(	375)
	18,902
	10,865

	5,295
	16,777

	26,100
	7,961
	28,245

	6,047
--	-------

	13,172
	5,843
	<u>2,855</u>

	<u>217,489</u>
--	----------------

(<u>9,278)</u>
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MACKINAC COUNTY HOUSING COMMISSION
FINANCIAL DATA SCHEDULE (CONTINUED)
 Year Ended June 30, 2005
 =====

FDS Line Item No.		C-8046 Low Rent Program <u>14.850</u>	Capital Fund Program <u>14.872</u>
	Expenses continued:		
	Other expenses:		
971	Extraordinary maintenance	6,087	
974	Depreciation expense	<u>116,956</u>	
	Total other expenses	<u>123,043</u>	
900	Total expenses	<u>340,532</u>	
	Excess (deficiency) of operating revenue over(under) expenses before other financing sources (uses)	(168,369)	36,048
	Other Financing Sources(Uses):		
1001	Operating transfers in (out)	<u>30,000</u>	<u>(30,000)</u>
1000	Excess (deficiency) of operating revenue over(under) expenses	(138,369)	6,048
1103	Beginning Net Assets	1,767,451	12,684
1104	Prior period adjustments, equity transfers and correction of errors	<u>12,684</u>	<u>(12,684)</u>
	Ending Net Assets	<u>\$1,641,766</u>	<u>\$ 6,048</u>

Totals

6,087
116,956

123,043

340,532

(132,321)

(132,321)

1,780,135

\$ 1,647,814

**Report on Internal Control Over Financial Reporting
and on Compliance and Other Matters Based on an
Audit of Financial Statements Performed in Accordance
with Government Auditing Standards**

Board of Housing Commissioners
Mackinac County Housing Commission
Mackinac County, Michigan

I have audited the financial statements of the business-type activities of the Mackinac County Housing Commission, Michigan, (Housing Commission) as of and for the year ended June 30, 2005, which collectively comprise the Housing Commission's basic financial statements and have issued my report thereon dated December 12, 2005. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing my audit, I considered the Housing Commission's internal control over financial reporting in order to determine my auditing procedures for the purpose of expressing my opinion on the financial statements and not to provide assurance on the internal control over financial reporting. My consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. I noted no matters involving the internal control over financial reporting and its operation that I consider to be material weaknesses. I have noted other matters involving the internal control over financial reporting that I have reported to management of the Housing Commission in a separate letter dated December 12, 2005.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Housing Commission's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws,

Report on Internal Control over Financial Reporting
and on Compliance and Other Matters Based on an
Audit of Financial Statements Performed in Accordance
with Government Auditing Standards
Mackinac County Housing Commission
Page Two

Compliance and Other Matters - Continued

regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit and, accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*. However, I noted certain matters that I reported to management of the Housing Commission, in a separate letter dated December 12, 2005.

This report is intended solely for the information and use of the audit committee, management, Board of Housing Commissioners, the Michigan Department of Treasury, and federal awarding agencies and is not intended to be and should not be used by anyone other than these specified parties.

Bary E. Vaudelet, CPA, PC

December 12, 2005

MACKINAC COUNTY HOUSING COMMISSION
ADJUSTING JOURNAL ENTRIES
JUNE 30, 2005

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<u>Line Number</u>	<u>Account Name</u>	<u>Debit</u>	<u>Credit</u>
LOW RENT PROGRAM			

There were no adjusting journal entries.

MACKINAC COUNTY HOUSING COMMISSION
INDEPENDENT AUDITORS' REPORTS
ON COMMUNICATIONS WITH THE
AUDIT COMMITTEE/BOARD OF COMMISSIONERS
AND
MANAGEMENT ADVISORY COMMENTS

JUNE 30, 2005

MACKINAC COUNTY HOUSING COMMISSION
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JUNE 30, 2005

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**INDEPENDENT AUDITORS' REPORT ON
COMMUNICATIONS WITH THE AUDIT COMMITTEE/
BOARD OF COMMISSIONERS**

To the Board of Commissioners
Mackinac County Housing Commission

I have audited the financial statements of the Mackinac County Housing Commission ("Housing Commission") as of and for the year ended June 30, 2005, and have issued my report, thereon, dated December 12, 2005. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that I communicate certain matters to your audit committee or its equivalent. These communications are reported in the following paragraphs.

Auditors' Responsibilities Under Auditing Standards Generally Accepted in the United States of America - In planning and performing my audit of the financial statements, I considered your internal control in order to determine my auditing procedures for purposes of expressing my opinion on the financial statements and not to provide assurance on your internal control. Also, an audit conducted under auditing standards generally accepted in the United States of America is designed to obtain a reasonable, rather than absolute, assurance about the financial statements.

Significant Accounting Policies - The significant accounting policies used in the preparation of your financial statements are discussed in Note 1 to the financial statements. There were no audit adjusting journal entries and no controversial accounting issues.

Management Judgments and Accounting Estimates - Significant management judgments and accounting estimates are disclosed in the notes to the financial statements.

Other Information in Documents Containing Audited Financial Statements - All the information included in the financial statements document has been audited and my responsibilities are addressed in the Independent Auditors' Report.

**INDEPENDENT AUDITORS' REPORT ON COMMUNICATIONS WITH THE
AUDIT COMMITTEE - CONTINUED**

Audit Adjustments - For purposes of this letter, professional standards define an audit adjustment as a proposed correction of the financial statements that, in my judgment, may not have been detected except through my auditing procedures. An audit adjustment may or may not indicate matters that could have a significant effect on the Housing Commission's financial reporting process (that is, cause future financial statements to be materially misstated). The attached audit adjustments, in my judgment, indicate matters that could have a significant effect on the Housing Commission's financial reporting process (see page 5 showing the audit adjusting journal entries).

Disagreements With Management - For purposes of this letter, professional accounting standards define disagreement with management as a matter concerning a financial accounting, reporting, or auditing matter that could be significant to the financial statements or the auditors' report. I am pleased to report that no such disagreements arose during the audit.

Consultations With Other Accountants - To my knowledge, management has not consulted with other accountants regarding auditing and accounting matters.

Major Issues Discussed With Management Prior to Retention - There was no discussions regarding the application of accounting principles or auditing standards with management prior to my retention as your auditor.

Difficulties Encountered in Performing the Audit - There were no difficulties encountered in performing the audit. The staff was very cooperative and helpful.

This report is intended solely for the information and use of the audit committee or its equivalent and management and is not intended to be and should not be used by anyone other than these specified parties.

I shall be pleased to discuss any of the matters referred to in this letter. Should you desire more information on the above communications, I would welcome the opportunity to discuss them with you.

Bory E. Zandell, CPA, PC

December 12, 2005

Barry E. Gaudette, CPA, P.C.
CERTIFIED PUBLIC ACCOUNTANT

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Traverse City, Michigan 49686
(231) 946-8930
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**INDEPENDENT AUDITORS' REPORT ON
MANAGEMENT ADVISORY COMMENTS**

To the Board of Commissioners
Mackinac County Housing Commission

I have audited the financial statements of the Mackinac County Housing Commission ("Housing Commission") as of and for the year ended June 30, 2005, and have issued my report, thereon, dated December 12, 2005. I have also issued compliance reports and reports on the internal control in accordance with *Government Auditing Standards*. These reports disclosed no material instances of noncompliance, weaknesses and reportable conditions.

Other matters involving the Housing Commission's operations and internal control, which came to my attention during the audit, are reported on the following pages as management advisory comments.

I would like to take this opportunity to acknowledge the many courtesies extended to me by the Housing Commission's personnel during the course of my work.

I shall be pleased to discuss any of the matters referred to in this letter. Should you desire assistance in implementing any of the following suggestions, I would welcome the opportunity of assisting you in these matters.

Barry E. Gaudette, CPA, P.C.

December 12, 2005

MACKINAC COUNTY HOUSING COMMISSION
MANAGEMENT ADVISORY COMMENTS
June 30, 2005

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Credit Card Policy

The Housing Commission Board adopted a credit card policy on February 16, 2006.

Naturalization Form

My tests of the tenant files disclosed that the Naturalization Form needs to be included.

The Housing Commission has agreed to begin completing this form.

MACKINAC COUNTY HOUSING COMMISSION
ADJUSTING JOURNAL ENTRIES
June 30, 2005
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<u>Account #</u>	<u>Account Name</u>	<u>Debit</u>	<u>Credit</u>
LOW RENT PROGRAM			

There are no audit adjusting journal entries.